

## Message Text

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12

ACTION EB-11

INFO OCT-01 EUR-25 NEA-14 ISO-00 FEA-02 AEC-11 AID-20

CEA-02 CIAE-00 CIEP-02 COME-00 DODE-00 FPC-01 H-03

INR-10 INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07 RSC-01

SAM-01 SCI-06 SP-03 SS-20 STR-08 TRSE-00 PA-04 PRS-01

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R 060510Z JUL 74

FM AMEMBASSY ABU DHABI

TO SECSTATE WASHDC 1765

INFO AMEMBASSY THE HAGUE

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY TEHRAN

AMEMBASSY TRIPOLI

AMEMBASSY VIENNA

USINT ALGIERS

C O N F I D E N T I A L ABU DHABI 0873

DEPT PASS OTHER INTERESTED PARTIES AS APPROPRIATE

EO 11652: GDS

TAGS: ENRG, TC

SUBJ: PETROLEUM: MAJORS OFFER UAE/ABU DHABI 60/40

INTERIM PARTICIPATION FORMULA

SUMMARY: AMERICAN MEMBERS OF ABU DHABI PETROLEUM COMPANY

(ADPC) NEGOTIATING TEAM HAVE REPORTED ON STATUS OF NEGO-

TIATIONS WITH ABU DHABI GOVERNMENT. COMPANY NEGOTIATORS

HAVE OFFERED 60 PERCENT PARTICIPATION AGREEMENT ON IN-

TERIM BASIS WITHOUT ATTEMPTING TO RESOLVE SUCH ISSUES AS

BUY-BACK PRICE FOR 1974 OR COMPENSATION. AD MINYPET

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OTAIBA NOT INTERESTED IN CONCLUDING FINAL PARTICIPATION

AGREEMENT UNTIL LONG-TERM SAUDI-ARAMCO AGREEMENT (PRESUMABLY ESTABLISHING 100 PERCENT SAUDI PARTICIPATION) IS SIGNED. AMERICAN REPS BELIEVE OTAIBA WILL ACCEPT INTERIM OFFER. OTHER SUBJECTS TO BE DISCUSSED INCLUDE GAS UTILIZATION, BUY-BACK PRICE FOR LAST QUARTER OF 1973, EXPORT REFINERY CONSTRUCTION, AND CURRENCY OF PAYMENT FOR OIL SALES. END SUMMARY.

1. CHARLES M. BOYER AND E.A. WIGGERS WHO REPRESENT EXXON AND MOBIL RESPECTIVELY ON ADPC BOARD, CALLED AT EMB JULY 2 TO BRIEF AMB ON STATUS OF PARTICIPATION NEGOTIATIONS WITH ABU DHABI GOVT (ADG). ALTHOUGH NEGOTIATIONS BETWEEN REPS OF MAJORS AND MINPET OTAIBA EXPECTED COVER NUMBER OF OUTSTANDING ISSUES AFFECTING TWO PRODUCING COMPANIES (ADPC AND ADMA), PRINCIPAL PURPOSE OF SESSION CONVENING ABU DHABI JULY 2 WAS TO DISCUSS PARTICIPATION IN LIGHT OF KUWAITI AND QATARI DEALS AS WELL AS INTERIM AGREEMENT REACHED BETWEEN SAG AND ARAMCO.

2. BOYER SAID HE IS MEMBER OF THREE MAN INDUSTRY NEGOTIATION TEAM SELECTED FOR TALKS WITH ABU DHABI ON THIS ISSUE; OTHER TEAM MEMBERS ARE STOCKWELL OF BP AND MILLER OF SHELL. GROUP MET WITH OTAIBA AT OPENING SESSION OF JULY 2 TO PRESENT IDENTICAL OFFER MADE BY ARAMCO TO YAMANI, AND ACCEPTED, PRIOR TO QUITO MEETING. BOYER EXPLAINED OFFER IS PURELY INTERIM ARRANGEMENT UNTIL NEW LONG TERM ARRANGEMENT CAN BE NEGOTIATED BETWEEN SAG AND ARAMCO. THAT ARRANGEMENT, WHICH PRESUMABLY WILL RESULT IN 100 PERCENT PARTICIPATION AGREEMENT, WOULD BECOME STANDARD FOR SIMILAR AGREEMENTS WITH OTHER ARAB GULF PRODUCERS. ACCORDING BOYER, WHILE OFFER DOES ESTABLISH RIGHT OF UAE/ABU DHABI TO 60 PERCENT CONTROL OF ITS OIL FOR 1974, IT DOES NOT ADDRESS FOLLOWING UNRESOLVED QUESTIONS: (A) BUY-BACK PRICE FOR 1974; (B) VALUE OF COMPENSATION FOR ADDITIONAL 35 PERCENT EQUITY SHARE; (C) ORGANIZATION OR STRUCTURE TO RUN NEW CORPORATE ENTITY. BOYER ADVISED THAT YAMANI, FOR OWN REASONS, HAD INSTRUCTED ARAMCO NOT TO DISCUSS DETAILS (OR LACK THEREOF) OF INTERIM ARRANGEMENT UNTIL THESE CLARIFIED IN SUBSEQUENT NEGOTIATIONS (PRESUMABLY THOSE SCHEDULED BEGIN IN RIYADH JULY 8). HOWEVER, SAUDI MINISTER HIMSELF HAS CONFIDENTIAL

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BEEN SPELLING OUT BRIEFLY STATED INTERIM FORMULA TO IRANIANS AND OTHERS, SO TERMS NOW WIDELY DISSEMINATED.

3. BOYER SAID THAT MINISTER OTAIBA HAS MADE IT CLEAR TO OWNERS THAT HE NOT RPT NOT INTERESTED IN CONCLUDING FINAL PARTICIPATION AGREEMENT UNTIL LONG TERM SAUDI/ARAMCO ARRANGEMENT SIGNED. AT THAT TIME, HE WILL THEN REVIEW VARIOUS GULF PARTICIPATION FORMULAE TO CHOOSE

THOSE ELEMENTS DEEMED MOST ATTRACTIVE FOR UAE. THUS, FOR OTAIBA, INTERIM 60/40 FORMULA SERVES SAME PURPOSES AS IT DID FOR YAMANI--IT ESTABLISHES CONTRACTUALLY SAME PARTICIPATION RIGHT FOR UAE/AD AS AGREED UPON BY KUWAIT AND QATAR.

4. IN REPLY EMB OFFICER'S QUESTION, BOYER SAID THAT OTAIBA LIMITED HIS COMMENT ABOUT OFFER TO EXPRESSION OF MILD SURPRISE AT ITS BREVITY (LESS THAN ONE PAGE). IN ABSENCE OF HIS KEY DEPUTY, ABDULLAH ISMAIL, OTAIBA, WHOSE OWN DOMESTIC POLITICAL POSITION SOMEWHAT SHAKY, CHOSE TO HAVE LARGE NUMBER OF MINYPET AND ADNOC OFFICIALS PRESENT FOR MEETING WITH NEGOTIATING TEAM, PROBABLY TO PROTECT HIMSELF FROM ANY CRITICISM THAT HE ENGAGED IN SECRET DEALINGS WITH COMPANIES. SECOND STAGE OF NEGOTIATIONS WILL MOVE TO INLAND OASIS OF AL-AIN WHERE TEAM SCHEDULED MEET JULY 3 WITH SHAIKH ZAYID AND ADNOC BOARD CHAIRMAN, SHAIKH TAHNOON. BOYER AND WIGGERS PERSONALLY OF OPINION THAT ZAYID WILL ACCEPT INTERIM OFFER AND ANNOUNCEMENT BY OTAIBA TO THAT EFFECT MIGHT TAKE PLACE PRIOR TO TEAM'S DEPARTURE.

5. IN ADDITION TO PARTICIPATION ISSUE, FOLLOWING SUBJECTS ARE SLATED FOR DISCUSSION BETWEEN INDUSTRY REPS AND ADG: (A) GAS UTILIZATION: ONSHORE PRODUCER, ADPC, HAS SUBMITTED SEVERAL PROPOSALS TO GOVT, SOME GOING BACK MORE THAN ONE YEAR, FOR SEVERAL STAGE DEVELOPMENT OF ASSOCIATED GAS RESOURCES; AIM OF TOTAL PROJECT WOULD BE TO EXTINGUISH THE FLARES. FIRST STAGE OF PROPOSAL FOR NATURAL GAS LIQUIFICATION PLANT VIRTUALLY APPROVED BY ADNOC, BUT GOVT OIL ENTITY CONSIDERING PROPOSALS FROM OTHER COMPANIES FOR LATER STAGES. UNDERSTAND ADG ALSO DISCUSSING WITH OFFSHORE PRODUCER, ADMA, EXPANSION OF ITS CONFIDENTIAL

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MULTI-MILLION DOLLAR GAS LIQUIFICATIONS SCHEME NOW UNDER CONSTRUCTION ON DAS ISLAND. (B) BUY-BACK PRICE: BOYER SAID THAT DISCUSSION OF THIS ISSUE WOULD COVER ONLY FINAL QUARTER OF 1973 SINCE FORMULA FOR 1974 BUY-BACK PRICE WILL BE DEALT WITH IN FORTHCOMING PARTICIPATION NEGOTIATIONS BETWEEN SAG AND ARAMCO. (C) GOVERNMENT EXPLORING WITH ADPC POSSIBILITY OF JOINT VENTURE PROJECT FOR EXPORT REFINERY. (D) CURRENCY: IN LAST FEW MONTHS, OTAIBA HAS BEEN PRESSING MAJORS TO MAKE A PERCENTAGE OF THEIR REVENUE PAYMENT IN DOLLARS INSTEAD OF EXCLUSIVELY IN STERLING, AS IS NOW THE CASE. WHILE WE DID NOT PURSUE THIS MATTER, EXXON AND MOBIL REPS QUESTIONED NEED FOR CHANGING PRESENT PAYMENTS ARRANGEMENT SINCE ADG WILL NOW BE ENTITLED TO SELL 60 PER CENT OF ITS OIL; THUS, IT CAN STIPULATE AS CONDITION FOR ALL

SALES THAT PAYMENT BE MADE IN DOLLARS. COMPANY REPS  
SAID THERE WAS OPPOSITION ON PART OF BRITISH OWNERS TO  
CHANGING PRESENT ARRANGEMENT WHEREBY ROYALTY AND TAX  
PAYMENTS ARE MADE IN STERLING.  
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## Message Attributes

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